

This page is a reference page used to track documents internally for the Division of Oil, Gas and Mining

Mine Permit Number M10210004 Mine Name Escalante Silver Mine  
Operator \_\_\_\_\_ Date sent 04/22/2013  
TO \_\_\_\_\_ FROM \_\_\_\_\_

☐ CONFIDENTIAL ☒ BOND CLOSURE ☐ LARGE MAPS ☐ EXPANDABLE  
☐ MULTIPUL DOCUMENT TRACKING SHEET ☐ NEW APPROVED NOI  
☐ AMENDMENT ☐ OTHER \_\_\_\_\_

Description YEAR-Record Number

☐ NOI ☐ Incoming ☒ Outgoing ☐ Internal ☐ Superceded  
Notice of File Closure & Release of Reclamation Surety  
2013-04222013

☐ NOI ☐ Incoming ☐ Outgoing ☒ Internal ☐ Superceded  
Bond File 04222013

**CONFIDENTIAL**

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ NOI ☐ Incoming ☐ Outgoing ☒ Internal ☐ Superceded  
Bond File 04222013

☐ TEXT/ 81/2 X 11 MAP PAGES ☐ 11 X 17 MAPS ☐ LARGE MAP

COMMENTS: \_\_\_\_\_

CC: \_\_\_\_\_



STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MININGMODIFICATION OF ATTACHMENT A  
TO THE  
RECLAMATION CONTRACTName of Operator: Hecla Mining CompanyPermit Number: M/021/004Mine Name: Escalante Silver MinePhone Number: 208-769-4148

Per the executed reclamation contract, the surety agreement for reclamation obligation is included as Attachment A to the reclamation contract as follows:

*Check the boxes that apply to this form:*

Surety: ☐ Decrease  
☐ Increase  
☒ Replacement

Reason: ☐ Amendment to NOI  
☐ Cancellation/ Termination of surety  
☐ Escalation  
☐ Partial Release of surety  
☒ Other

Explain: Operator switched surety company. It was Travelers Casualty and Surety Company of America, it is now Lexon Insurance Company. Amount remains the same \$42,756.00

Surety Dollar Amount Associated With This Action: \$42,756.00Surety Aggregate Amount: \$42,756.00

*Included in this modification (surety must be attached)*

Instrument(s):

<input checked="" type="checkbox"/> Corporate Surety	<input type="checkbox"/> Rider
<input type="checkbox"/> LOC Letter of Credit	<input type="checkbox"/> Amendment
<input type="checkbox"/> CD Certificate of deposit	<input type="checkbox"/> Addendum
<input type="checkbox"/> Cash	<input checked="" type="checkbox"/> Other

Explain: Switching surety company

Other surety not affected by this modification will remain part of Attachment A and labeled as such.  
This Modification will be effective as of the last date signed below

James Sabala Printed  
Authorized Officer Signature

V.P. and CFO  
Title

4/20/09  
Date

John R. Baza  
Division Director  
Utah Division of Oil, Gas and Mining

6/10/09  
Date





JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

**State of Utah**  
**DEPARTMENT OF NATURAL RESOURCES**  
**Division of Oil, Gas & Mining**

MICHAEL R. STYLER  
Executive Director

JOHN R. BAZA  
Division Director

**Addendum #1 to the Reclamation Contract**

**Hecla Mining Company, Escalante Silver Mine, M/021/004**

February 1, 2007

Mr. Paul Glader, Manager Environmental Services  
Hecla Mining Company  
6500 Mineral Drive, Suite 200  
Coeur D'alene, Idaho 83815-9408

A rider has been issued by Travelers Casualty and Surety Company of America in the amount of \$42,756.00 reducing the surety from \$389,300.00.

This letter serves as an acknowledgment and approval of the following:

- **SURETY and SURETY COMPANY:** Surety: Travelers Casualty and Surety Company of America;
- **SURETY AMOUNT AND BOND NUMBER:** [REDACTED] \$42,756.00, forty two thousand seven hundred and fifty six dollars;
- **DISTURBED AREA:** Any revisions after September 30, 1994 are identified in the Notice of Intention to Conduct Mining Operations as amended;
- **MAP:** Any revisions after September 30, 1994 are identified in the Notice of Intention to Conduct Mining Operations as amended;
- **ESCALATION YEAR:** 2010

Nothing herein contained shall vary, alter, or extend any provision or condition of the Reclamation Contract.

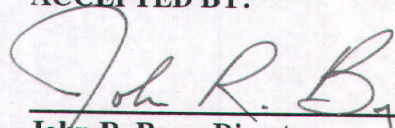
To the extent any conflict exists between this addendum and the Reclamation Contract, these terms shall control.

Please acknowledge with your signature, make a copy, and return this letter with original signature to the Division.



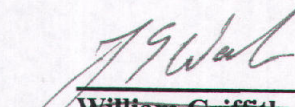
The below signed, acknowledge and accept these revisions and incorporate them into the September 30, 1994 Reclamation Contract.

ACCEPTED BY:



John R. Baza, Director  
Division of Oil, Gas and Mining

2/14/07  
Date



William Griffith, President

Hecla Mining Company Lewis E Walde, CFO

2/21/07  
Date



STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MININGMODIFICATION OF ATTACHMENT A  
TO THE  
RECLAMATION CONTRACTName of Operator: Hecla Mining CompanyPermit Number: M/021/004Mine Name: Escalante Silver MinePhone Number: 208-769-4148

Per the executed reclamation contract, the surety agreement for reclamation obligation is included as Attachment A to the reclamation contract as follows:

*Check the boxes that apply to this form:*

Surety: ☐ Decrease  
☐ Increase  
☒ Replacement

Reason: ☐ Amendment to NOI  
☐ Cancellation/ Termination of surety  
☐ Escalation  
☐ Partial Release of surety  
☒ Other

Explain: Operator switched surety company. It was Travelers Casualty and Surety Company of America, it is now Lexon Insurance Company. Amount remains the same \$42,756.00

Surety Dollar Amount Associated With This Action: \$42,756.00

Surety Aggregate Amount: \$42,756.00

***Included in this modification (surety must be attached)***

Instrument(s):

<input checked="" type="checkbox"/> Corporate Surety	<input type="checkbox"/> Rider
<input type="checkbox"/> LOC Letter of Credit	<input type="checkbox"/> Amendment
<input type="checkbox"/> CD Certificate of deposit	<input type="checkbox"/> Addendum
<input type="checkbox"/> Cash	<input checked="" type="checkbox"/> Other

Explain: Switching surety company

Other surety not affected by this modification will remain part of Attachment A and labeled as such.  
This Modification will be effective as of the last date signed below

\_\_\_\_\_  
Authorized Officer Signature

\_\_\_\_\_  
Printed

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Division Director John R. Baza  
Utah Division of Oil, Gas and Mining

\_\_\_\_\_  
Date



File Number M/021/004

Effective Date 9/30/94

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

RECEIVED

MAR 7 1994

DIV. OF OIL, GAS & MINING

RECEIVED

MAR 24 1994

DIV. OF OIL, GAS & MINING

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)  
(Mineral Mined)

M/021/004

Silver

"MINE LOCATION":

(Name of Mine)

(Description)

Escalante Silver Mine

Sections 2, 3, 10, 11 T. 36S, R. 17W,

Iron County, Utah

Approximately 4 miles north of  
Enterprise

"DISTURBED AREA":

(Disturbed Acres)

(Legal Description)

108

(refer to Attachment "A")

"OPERATOR":

(Company or Name)

(Address)

Hecla Mining Company

6500 Mineral Drive

Coeur d'Alene ID 83814

(Phone)

208/769-4100



"OPERATOR'S REGISTERED AGENT":

(Name)  
(Address)

CT Corporation System  
50 W Broadway

Salt Lake City UT 84101

(Phone)

801/531-7090

"OPERATOR'S OFFICER(S)":

Arthur Brown - President & CEO  
Michael B. White - V.P. & Secretary  
John P. Stilwell - Treasurer

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Aetna Casualty and Surety Company

"SURETY AMOUNT":

(Escalated Dollars)

\$389,300.00

"ESCALATION YEAR":

1999

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Hecla Mining Co. the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/021/004 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.



NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated 8/9/79, and the original Reclamation Plan dated 8/9/79. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as



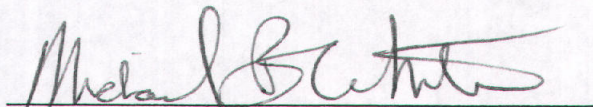
amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.



14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

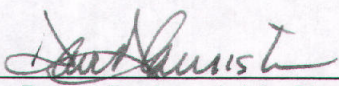
Michael B. White  
Vice President - General Counsel  
Authorized Officer (Typed or Printed)

  
Authorized Officer's Signature

March 21, 1994  
Date

SO AGREED this 28<sup>th</sup> day of September, 1994.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY   
Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining



DIVISION OF OIL, GAS AND MINING:

By

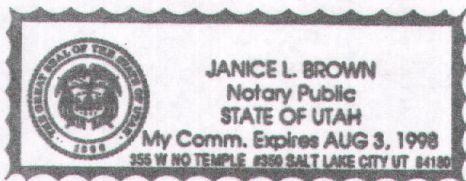
James W. Carter, Director

Date

9/30/94

STATE OF Utah )  
 ) ss:  
COUNTY OF Salt Lake )

On the 30<sup>th</sup> day of September, 19 94, personally appeared before me, who being duly sworn did say that he/she, the said JAMES W. CARTER is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.



Janice L. Brown  
Notary Public

Residing at: Sandy, Utah

August 3, 1998  
My Commission Expires:



OPERATOR:

Hecla Mining Company  
Operator Name

Michael B. White  
By Vice President - General Counsel  
Corporate Officer - Position

March 21, 1994  
Date

Michael B. White  
Signature

STATE OF IDAHO )  
 ) ss:  
COUNTY OF Kootenai )

On the 21st day of March, 19 94, personally  
appeared before me Michael B. White who  
being by me duly sworn did say that he/~~she~~, the said Michael B. White  
is the Vice President - General Counsel of Hecla Mining Company  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
Michael B. White duly acknowledged to me that said  
company executed the same.

Lynda Ruffener  
Notary Public  
Residing at: Coeur d'Alene, Idaho  
My Commission Expires: 10/19/94

10/19/94  
My Commission Expires:



SURETY:

AETNA CASUALTY & SURETY COMPANY  
Surety Company

By CARLA HOLT - ATTORNEY IN FACT  
Company Officer - Position

3/1/94  
Date

*Carla Holt*  
Signature

STATE OF WASHINGTON )  
COUNTY OF SPOKANE ) ss:

On the 1st day of MARCH, 19 94, personally  
appeared before me CARLA HOLT who  
being by me duly sworn did say that he/she, the said CARLA HOLT  
is the ATTORNEY IN FACT of AETNA CASUALTY & SURETY COMPANY  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
CARLA HOLT duly acknowledged to me that said  
company executed the same.

*Rhonda A Nelson*  
Notary Public RHONDA A. NELSON  
Residing at: SPOKANE WASHINGTON

APRIL 27, 1997  
My Commission Expires:

NOTE: An affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.





## POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL MEN BY THESE PRESENTS, THAT THE AETNA CASUALTY AND SURETY COMPANY, a corporation duly organized under the laws of the State of Connecticut, and having its principal office in the City of Hartford, County of Hartford, State of Connecticut, hath made, constituted and appointed, and does by these presents make, constitute and appoint

**CHARLES H. STEILEN, GEORGE C. SCHROEDER, LINDA TICHEY, CARLA HOLT  
RHONDA A. NELSON, W. W. WELLER, JOANNE TONANI, LOIS STEWART \***

of **SPOKANE, WA**, its true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, or, if the following line be filled in, within the area there designated, the following instrument(s):  
by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incidents thereto

and to bind THE AETNA CASUALTY AND SURETY COMPANY, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of THE AETNA CASUALTY AND SURETY COMPANY, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Company, which Resolutions are now in full force and effect:

VOTED: That each of the following officers: Chairman, Vice Chairman, President, Any Executive Vice President, Any Group Executive, Any Senior Vice President, Any Vice President, Any Assistant Vice President, Any Secretary, Any Assistant Secretary, may from time to time appoint Resident Vice Presidents, Resident Assistant Secretaries, Attorneys-in-Fact, and Agents to act for and on behalf of the Company and may give any such appointee such authority as his certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors may at any time remove any such appointee and revoke the power and authority given him or her.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the Chairman, the Vice Chairman, the President, an Executive Vice President, a Group Executive, a Senior Vice President, a Vice President, an Assistant Vice President or by a Resident Vice President, pursuant to the power prescribed in the certificate of authority of such Resident Vice President, and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary or by a Resident Assistant Secretary, pursuant to the power prescribed in the certificate of authority of such Resident Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact pursuant to the power prescribed in his or their certificate or certificates of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile under and by authority of the following Standing Resolution voted by the Board of Directors of THE AETNA CASUALTY AND SURETY COMPANY which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: Chairman, Vice Chairman, President, Any Executive Vice President, Any Group Executive, Any Senior Vice President, Any Vice President, Any Assistant Vice President, Any Secretary, Any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, THE AETNA CASUALTY AND SURETY COMPANY has caused this instrument to be signed by its Assistant Vice President, and its corporate seal to be hereto affixed this **1st** day of **November**, 19 **93**

State of Connecticut }  
County of Hartford } ss. Hartford



THE AETNA CASUALTY AND SURETY COMPANY

By *George W. Thompson*  
George W. Thompson  
Assistant Vice President

On this **1st** day of **November**, 19 **93**, before me personally came **GEORGE W. THOMPSON** to me known, who, being by me duly sworn, did depose and say: that he/she is Assistant Vice President of THE AETNA CASUALTY AND SURETY COMPANY, the corporation described in and which executed the above instrument; that he/she knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; and that he/she executed the said instrument on behalf of the corporation by authority of his/her office under the Standing Resolutions thereof.



*Dorothy L. Marti*

My commission expires August 31, 1998

Notary Public

Dorothy L. Marti

### CERTIFICATE

I, the undersigned, Secretary of THE AETNA CASUALTY AND SURETY COMPANY, a stock corporation of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Board of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this **1st** day of **MARCH**, 19 **94**



By *William T. DiRoberts*  
William T. DiRoberts  
Secretary



ATTACHMENT "A"

Hecla Mining Company  
Operator

Escalante Silver Mine  
Mine Name

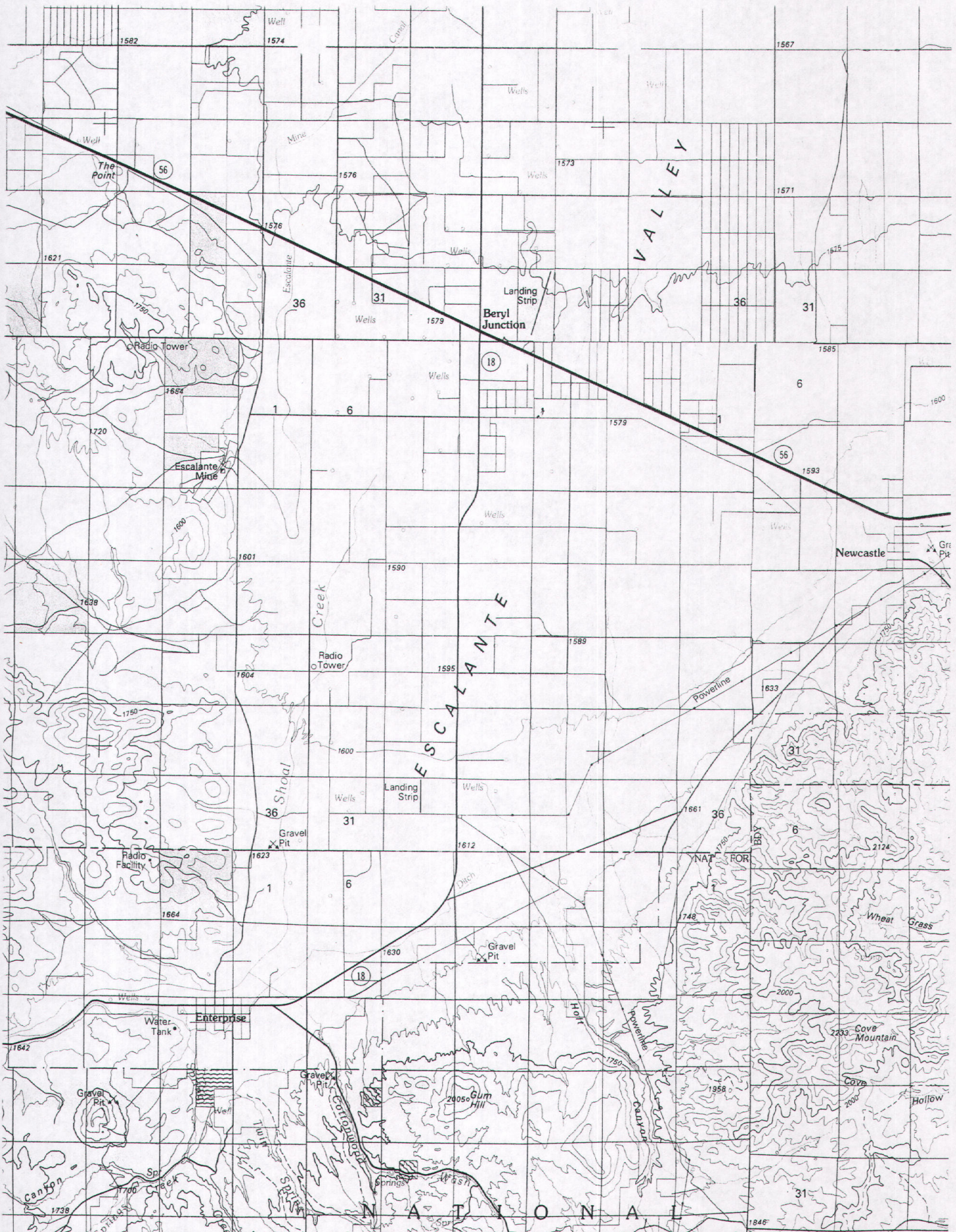
M/021/004  
Permit Number

Iron County, Utah

The legal description of lands to be disturbed is:

PORTIONS OF THE SE 1/4 SE1/4 SECTION 3, NE 1/4 NE1/4 SECTION 10, SW1/4 SW 1/4 SECTION 2, NW 1/4 NW 1/4 SECTION 11, TOWNSHIP 36 SOUTH, RANGE 17 WEST, SALT LAKE BASE MERIDIAN, IRON COUNTY, UTAH







E X E C U T I V E   S U M M A R Y  
\* \* \* \* \*

RANCHERS EXPLORATION & DEVELOPMENT CORPORATION

ESCALANTE SILVER MINE  
ACT/021/004  
Sections 1-3, 9-12, 14-16,  
Township 36 South, Range 17 West  
Iron County, Utah

August 19, 1980



and south) to natural recharge areas (ie., Shoal Creek and North Canal) to replenish the temporary losses. Ranchers has committed to replace or reimburse any documented disruption of water supply effecting local users in lieu of Ranchers dewatering activities. The mining and dewatering sequence will consist of four stages. The initial 3-1/2 month pilot program has been approved and completed. Three additional stages will follow; a 24-month mining program, a 33-month program and a 50-month program each at different pumping rates and increasing mining depths. Total life of the mine will be approximately 10 years.

#### ECOLOGY:

Vegetation within the mine area consists chiefly of sagebrush (75%), broom snakeweed, galleta grass, cactus and associated annuals. The area is utilized for limited range and wildlife habitat and some local irrigated crop production.

#### STRUCTURES AND FACILITIES:

The total area to be disturbed at the mine site will be approximately 80 + acres. This includes the mill, stockpiles, and associated surface facilities as well as the tailing disposal area. Additional disturbance would consist of the construction of the 4-1/2 mile south canal and widening of the existing 4 mile north canal. Surface facilities will consist of an administration-maintenance-warehouse complex, an assay laboratory, coarse ore bin, crusher building, concentrator, waste dump, and site services.

#### MINING AND RECLAMATION:

##### During Operations:

1. Existing mining workings will be utilized and further developed.
2. Available topsoil and/or suitable growth medium will be stripped, stockpiled and adequately protected prior to any major surface disturbance of the mining operation.
3. Very few roads will have to be constructed in the site area. Existing access and country roads will be utilized when and wherever possible. Some improvement and routine maintenance will be provided as necessary.
4. The mill, ancillary facilities, and tailings pond will be designed for zero discharge of waste waters and complete containment of any potential spills.
5. Mining will be conducted in a safe and orderly manner and will strive to minimize environmental and visual degradation.



- c. Soil preparation, scarification and seeding.
- d. Removal of explosives.
- e. Sealing of incline.
- f. Supervision and annual inspections.

\*Actual mine life is anticipated to excess 5 years, therefore the surety is to be re-adjusted as required every 5 years. A copy of the surety estimate is attached.

APPLICATION HISTORY:

July 9, 1980	Division received 4 copies of Ranchers Exploration & Development Corporation's proposed mining plan.
July 14, 1980	Received 2 letters from Ranchers:  1. First letter concerned the urgency of the Division's prompt review of Ranchers propped mine plan in order to comply with RCRA requirements.  2. Second letter and enclosures submitted to the Division as additional provisions to be incorporated in their mining plan.
August 1, 1980	Notice of Hearing/Order to Show Cause, before the Board of Oil, Gas and Mining, Department of Natural Resources, for tentative approval by the Division was submitted for publication.
August 7, 1980	Public Order to Show Cause and Notice of Hearing for Ranchers Exploration & Development Corporation was published.
August 8, 1980	Division received notarized Proof of Publication that said Notice of Hearing had been published.





April 20, 2009

Penny Berry  
Bond Coordinator, Minerals Program  
State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, UT 84114-5801

RE: Modification of Attachment A to the Reclamation Contract  
Escalante Silver Mine, M0320004, Iron County, UT

Dear Ms. Berry:

Enclosed as requested is the Modification of Attachment A to the above-referenced Reclamation Contract, which has been signed by Hecla Mining Company's Vice President and CFO. If you have any questions or comments regarding this matter, please contact me at 208.769.4148, or at email address [arobison@hecla-mining.com](mailto:arobison@hecla-mining.com).

Sincerely,

A handwritten signature in blue ink that reads "Ann Robison".

Ann Robison  
Property and Contract Coordinator

Enclosure

RECEIVED

APR 23 2009

DIV. OF OIL, GAS & MINING







JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas and Mining

JOHN R. BAZA  
*Division Director*

April 15, 2009

Ann Robison  
Hecla Mining Company  
6500 Mineral Drive  
Coeur d'Alene, Idaho 83815-8788

Subject: Modification of Attachment A to the Reclamation Contract, Hecla Mining Company, Escalante Silver Mine, M0210004, Iron County, Utah

Dear Ms. Robison:

On March 26, 2009 the Division received your replacement surety bond # [redacted] in the amount of \$47,756.00.

Please sign the Modification of Attachment A to the Reclamation Contract.

Please return this document to the Division as soon as possible so that we can proceed with our process in completing this file. If you have any questions please call 801-538-5291 or email [bondcoordinator@utah.gov](mailto:bondcoordinator@utah.gov). Thank you for your attention in this matter.

Sincerely,

Penny Berry  
Bond Coordinator  
Minerals Program

PB

P:\GROUPS\MINERALS\WP\M021-Iron\M0210004-Hecla\Bond\LtrReqMA-RC.doc







JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

April 15, 2009

Chris Larson  
Travelers Casualty  
1 Tower Square  
Hartford, CT 06183-0001

Subject: Return of Surety Bond # [REDACTED], Hecla Mining Company, Inc.,  
Escalante Silver, M021004, Iron County, Utah

Dear Mr. Larson:

Enclosed please find original Surety Bond # [REDACTED] issued by Travelers Casualty and Surety Company of America in the amount of \$42,756.00. A surety bond for \$42,756.00 is currently being held with Lexon Insurance Company; therefore the Division is releasing Surety Bond# [REDACTED]

If you have any questions, please feel free to call me at (801) 538-5291.

Sincerely,

Penny Berry  
Bond Coordinator

pb

Enclosure

cc: Ann Robison, Hecla Mining Company  
Penny Berry, DOGM  
Ed Ginouves, BLM (Ed\_Ginouves@blm.gov)

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RECEIVED

FEB 01 2007

RIDER

To be attached to and form part of Bond Number

DIV. OF OIL, GAS & MINING

Issued to HECLA MINING COMPANY

Type of Bond RECLAMATION BOND

dated the 1ST day of MARCH, 1994, issued by THE EATNA CASUALTY AND SURETY COMPANY - NOW TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA TRAVELERS CASUALTY AND SURETY COMPANY, as Surety, in the penal sum of \$771,000.00 (AND DECREASED TO \$389,300.00 EFF. 8/30/94) and in favor

of STATE OF UTAH, DIVISION OF OIL, GAS AND MINING, AND U.S. DEPARTMENT OF THE INTERIOR, BLM

In consideration of the agreed premium charged for this bond, it is understood and agreed that TRAVELERS CASUALTY AND SURETY COMPANY consents that effective from the 8TH day of JANUARY, 2007 said bond shall be amended as follows:

THE BOND AMOUNT SHALL BE DECREASED

FROM: \$389,300.00

TO: \$ 42,756.00

Provided, however, that the attached bond shall be subject to all its agreements, limitations and conditions except herein expressly modified, and further that the liability of the Surety under the attached bond and the bond as amended by this rider shall not be cumulative.

Signed, sealed and dated this 17TH day of JANUARY, 2007.

HECLA MINING COMPANY

By: J. E. Walsh

Travelers Casualty and Surety Company

By: Chris Larson

CHRIS LARSON, Attorney-in-Fact





POWER OF ATTORNEY

Farmington Casualty Company  
Fidelity and Guaranty Insurance Company  
Fidelity and Guaranty Insurance Underwriters, Inc.  
Seaboard Surety Company  
St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company  
St. Paul Mercury Insurance Company  
Travelers Casualty and Surety Company  
Travelers Casualty and Surety Company of America  
United States Fidelity and Guaranty Company

Attorney-In Fact No. 214713

Certificate No. 000300247

**KNOW ALL MEN BY THESE PRESENTS:** That Seaboard Surety Company is a corporation duly organized under the laws of the State of New York, that St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company and St. Paul Mercury Insurance Company are corporations duly organized under the laws of the State of Minnesota, that Farmington Casualty Company, Travelers Casualty and Surety Company, and Travelers Casualty and Surety Company of America are corporations duly organized under the laws of the State of Connecticut, that United States Fidelity and Guaranty Company is a corporation duly organized under the laws of the State of Maryland, that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Iowa, and that Fidelity and Guaranty Insurance Underwriters, Inc. is a corporation duly organized under the laws of the State of Wisconsin (herein collectively called the "Companies"), and that the Companies do hereby make, constitute and appoint

Chris Larson, George C. Schroeder, Lois Stewart, W.W. Weller, Wm. Dinneen, H. Keith McNally, Kathy J. Gurley, and Dalee Moua

of the City of Spokane, State of Washington, their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign, execute, seal and acknowledge any and all bonds, recognizances, conditional undertakings and other writings obligatory in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed and their corporate seals to be hereto affixed, this 22nd day of February, 2006.

Farmington Casualty Company  
Fidelity and Guaranty Insurance Company  
Fidelity and Guaranty Insurance Underwriters, Inc.  
Seaboard Surety Company  
St. Paul Fire and Marine Insurance Company

St. Paul Guardian Insurance Company  
St. Paul Mercury Insurance Company  
Travelers Casualty and Surety Company  
Travelers Casualty and Surety Company of America  
United States Fidelity and Guaranty Company



State of Connecticut  
City of Hartford ss.

By:

*George W. Thompson*  
George W. Thompson, Senior Vice President

On this the 22nd day of February, 2006, before me personally appeared George W. Thompson, who acknowledged himself to be the Senior Vice President of Farmington Casualty Company, Fidelity and Guaranty Insurance Company, Fidelity and Guaranty Insurance Underwriters, Inc., Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, Travelers Casualty and Surety Company, Travelers Casualty and Surety Company of America, and United States Fidelity and Guaranty Company, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of the corporations by himself as a duly authorized officer.

In Witness Whereof, I hereunto set my hand and official seal.  
My Commission expires the 30th day of June, 2006.



*Marie C. Tetreault*  
Marie C. Tetreault, Notary Public





DECREASED CERTIFICATE

THE AETNA CASUALTY AND SURETY COMPANY  
Hartford, Connecticut 06115

Seattle Branch  
Office  
206-467-2225  
Dick Collings  
1-703-

Bond No. \_\_\_\_\_

Amount of Bond \$ 771,000.00

Principal HECLA MINING COMPANY

Hereby decreased to \$ 389,300.00

Obligee STATE OF UTAH, DIVISION OF OIL, GAS AND MINING, AND  
U.S. DEPARTMENT OF THE INTERIOR, BLM

As of the 30TH day of AUGUST, 19 94, the amount of the above described bond is hereby decreased from the sum of \$ 771,000.00 to the sum of \$ 389,300.00. The liability of the surety for any acts or defaults occurring after the effective date hereof, and for any acts or defaults occurring prior to the effective date hereof and not discovered within THIRTY (30) DAYS after the effective date hereof, shall in no event exceed the sum last named. The aggregate liability of the surety for any and all acts and defaults, whenever committed, shall in no event exceed the sum first named, it being the intent hereof to preclude cumulative liability. This certificate, when signed by the Obligee (Employer, or Insured) shall become part of the said bond.

Signed, sealed and dated this 8TH day of SEPTEMBER, 19 94.

THE AETNA CASUALTY AND SURETY COMPANY

By Rhonda A. Nelson  
RHONDA A. NELSON Attorney-in-Fact

This certificate was executed by the surety pursuant to my (our) request, and in consideration of a reduced premium I (we) hereby formally consent to the decrease.

Signed, sealed and dated this 13TH day of September, 19 94.

James T. Beaman  
(Witness)

Attest D. Wayne Skarberg

STATE OF UTAH,  
DIVISION OF OIL, GAS AND MINING, AND  
U.S. DEPT. OF THE INTERIOR, BLM (Seal)  
(Obligee, Employer, or Insured)

By James W. Carter, Div Oil, Gas & Mining

INSTRUCTIONS TO AGENTS-IMPORTANT

Do not deliver this certificate to the Obligee (Employer, or Insured) until that party has signed, sealed and dated it. In case of individual, schedule, or specific excess indemnity, execution on behalf of the Obligee (Employer, or Insured) by the person whose bond is being decreased is not acceptable.

By Alan Rakinoff  
Acting Deputy State Director, Mineral Resources  
Bureau of Land Management

One signed copy must be returned to the surety.





## POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL MEN BY THESE PRESENTS, THAT THE AETNA CASUALTY AND SURETY COMPANY, a corporation duly organized under the laws of the State of Connecticut, and having its principal office in the City of Hartford, County of Hartford, State of Connecticut, hath made, constituted and appointed, and does by these presents make, constitute and appoint

**CHARLES H. STEILEN, GEORGE C. SCHROEDER, LINDA TICHEY, CARLA HOLT  
RHONDA A. NELSON, W. W. WELLER, JOANNE TONANI, LOIS STEWART \***

of **SPOKANE, WA**, its true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, or, if the following line be filled in, within the area there designated, the following instrument(s):  
by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incidents thereto

and to bind THE AETNA CASUALTY AND SURETY COMPANY, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of THE AETNA CASUALTY AND SURETY COMPANY, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Company, which Resolutions are now in full force and effect:

VOTED: That each of the following officers: Chairman, Vice Chairman, President, Any Executive Vice President, Any Group Executive, Any Senior Vice President, Any Vice President, Any Assistant Vice President, Any Secretary, Any Assistant Secretary, may from time to time appoint Resident Vice Presidents, Resident Assistant Secretaries, Attorneys-in-Fact, and Agents to act for and on behalf of the Company and may give any such appointee such authority as his certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors may at any time remove any such appointee and revoke the power and authority given him or her.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the Chairman, the Vice Chairman, the President, an Executive Vice President, a Group Executive, a Senior Vice President, a Vice President, an Assistant Vice President or by a Resident Vice President, pursuant to the power prescribed in the certificate of authority of such Resident Vice President, and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary or by a Resident Assistant Secretary, pursuant to the power prescribed in the certificate of authority of such Resident Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact pursuant to the power prescribed in his or their certificate or certificates of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile under and by authority of the following Standing Resolution voted by the Board of Directors of THE AETNA CASUALTY AND SURETY COMPANY which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: Chairman, Vice Chairman, President, Any Executive Vice President, Any Group Executive, Any Senior Vice President, Any Vice President, Any Assistant Vice President, Any Secretary, Any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, THE AETNA CASUALTY AND SURETY COMPANY has caused this instrument to be signed by its Assistant Vice President, and its corporate seal to be hereto affixed this 1st day of November, 19 93

State of Connecticut }  
County of Hartford } ss. Hartford



THE AETNA CASUALTY AND SURETY COMPANY

By George W. Thompson  
George W. Thompson  
Assistant Vice President

On this 1st day of November, 19 93, before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Assistant Vice President of THE AETNA CASUALTY AND SURETY COMPANY, the corporation described in and which executed the above instrument; that he/she knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; and that he/she executed the said instrument on behalf of the corporation by authority of his/her office under the Standing Resolutions thereof.



Dorothy L. Marti

My commission expires August 31, 1998  
Dorothy L. Marti

Notary Public

### CERTIFICATE

I, the undersigned, Secretary of THE AETNA CASUALTY AND SURETY COMPANY, a stock corporation of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Board of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 8TH day of SEPTEMBER, 19 94



By William T. DiRoberts  
William T. DiRoberts  
Secretary



ATTACHMENT B

MR FORM 6  
Joint Agency Bonding Form

(April 8, 1993)

Bond Number \_\_\_\_\_  
Permit Number M7021/004  
Mine Name Escalante Silver Mine

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

THE MINED LAND RECLAMATION ACT

SURETY BOND

\*\*\*\*\*

The undersigned Hecla Mining Company as Principal,  
and Aetna Casualty and Surety Co. as Surety, hereby jointly and severally  
bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of  
Utah, Division of Oil, Gas and Mining, and U.S. Department of the Interior, BLM  
in the penal sum of Seven Hundred Seventy-One Thousand Dollars (\$ 771,000.00).

Principal has estimated in the Mining and Reclamation Plan approved by the  
Division of Oil, Gas and Mining on the 14th day of March, 19 94, that 108  
acres of land will be disturbed by this mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the  
Reclamation Contract of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has  
satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and  
Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation  
Act, and complied with the Rules and Regulations adopted in accordance therewith, then this  
obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the  
disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and  
regulations, then Principal may apply for a reduction in the amount of this Surety Bond.



In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by the Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Date: 3/2/94

HECLA MINING COMPANY  
Principal (Permittee)

By (Name typed): David F. Wolfe

Title: Assistant Treasurer

Signature: David F. Wolfe

Date: 3/1/94

AETNA CASUALTY & SURETY COMPANY  
Surety

By: (Name Typed) CARLA HOLT

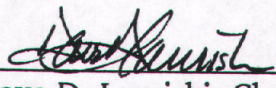
Title: ATTORNEY IN FACT

Signature: Carla Holt



Bond Number [REDACTED]  
Permit Number M/021/004  
Mine Name Escalante Silver Mine

SO AGREED this 28th day of September, 19 94.

  
\_\_\_\_\_  
Dave D. Lauriski, Chairman  
Board of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety Company, such Power of Attorney must be filed with this bond. If the Principal is a corporation, the bond shall be executed by its duly authorized officer.



AFFIDAVIT OF QUALIFICATION

CARLA HOLT, being first duly sworn, on oath deposes and says that he/she is the (officer or agent) ATTORNEY IN FACT of said Surety, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertakings and obligations.

Signed: *Carla Holt*  
Surety Officer CARLA HOLT

Title: ATTORNEY IN FACT

Subscribed and sworn to before me this 1st day of MARCH, 1994.

*Rhonda A Nelson*  
Notary Public RHONDA A. NELSON  
Residing at: SPOKANE WASHINGTON

My Commission Expires:

APRIL 27, 1997.





## POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL MEN BY THESE PRESENTS, THAT THE AETNA CASUALTY AND SURETY COMPANY, a corporation duly organized under the laws of the State of Connecticut, and having its principal office in the City of Hartford, County of Hartford, State of Connecticut, hath made, constituted and appointed, and does by these presents make, constitute and appoint

**CHARLES H. STEILEN, GEORGE C. SCHROEDER, LINDA TICHEY, CARLA HOLT  
RHONDA A. NELSON, W. W. WELLER, JOANNE TONANI, LOIS STEWART \***

of **SPOKANE, WA**, its true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, or, if the following line be filled in, within the area there designated, the following instrument(s):  
by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incidents thereto

and to bind THE AETNA CASUALTY AND SURETY COMPANY, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of THE AETNA CASUALTY AND SURETY COMPANY, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Company, which Resolutions are now in full force and effect:

VOTED: That each of the following officers: Chairman, Vice Chairman, President, Any Executive Vice President, Any Group Executive, Any Senior Vice President, Any Vice President, Any Assistant Vice President, Any Secretary, Any Assistant Secretary, may from time to time appoint Resident Vice Presidents, Resident Assistant Secretaries, Attorneys-in-Fact, and Agents to act for and on behalf of the Company and may give any such appointee such authority as his certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors may at any time remove any such appointee and revoke the power and authority given him or her.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the Chairman, the Vice Chairman, the President, an Executive Vice President, a Group Executive, a Senior Vice President, a Vice President, an Assistant Vice President or by a Resident Vice President, pursuant to the power prescribed in the certificate of authority of such Resident Vice President, and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary or by a Resident Assistant Secretary, pursuant to the power prescribed in the certificate of authority of such Resident Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact pursuant to the power prescribed in his or their certificate or certificates of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile under and by authority of the following Standing Resolution voted by the Board of Directors of THE AETNA CASUALTY AND SURETY COMPANY which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: Chairman, Vice Chairman, President, Any Executive Vice President, Any Group Executive, Any Senior Vice President, Any Vice President, Any Assistant Vice President, Any Secretary, Any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, THE AETNA CASUALTY AND SURETY COMPANY has caused this instrument to be signed by its Assistant Vice President, and its corporate seal to be hereto affixed this 1st day of November, 19 93

State of Connecticut }  
County of Hartford } ss. Hartford



THE AETNA CASUALTY AND SURETY COMPANY

By George W. Thompson  
George W. Thompson  
Assistant Vice President

On this 1st day of November, 19 93, before me personally came GEORGE W. THOMPSON to me known, who, being by me duly sworn, did depose and say: that he/she is Assistant Vice President of THE AETNA CASUALTY AND SURETY COMPANY, the corporation described in and which executed the above instrument; that he/she knows the seal of said corporation; that the seal affixed to the said instrument is such corporate seal; and that he/she executed the said instrument on behalf of the corporation by authority of his/her office under the Standing Resolutions thereof.



Dorothy L. Marti

My commission expires August 31, 1998  
Dorothy L. Marti

Notary Public

### CERTIFICATE

I, the undersigned, Secretary of THE AETNA CASUALTY AND SURETY COMPANY, a stock corporation of the State of Connecticut, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney and Certificate of Authority remains in full force and has not been revoked; and furthermore, that the Standing Resolutions of the Board of Directors, as set forth in the Certificate of Authority, are now in force.

Signed and Sealed at the Home Office of the Company, in the City of Hartford, State of Connecticut. Dated this 1st day of MARCH, 19 94



By William T. DiRoberts  
William T. DiRoberts  
Secretary



March 26, 2009

Travelers Casualty & Surety Company  
1 Tower Sq., 3PB  
Hartford, CT 06183-9062

RE: Hecla Mining Company

To Whom It May Concern:

*"We are now in receipt of Bond # [redacted] from Lexon Insurance Company, and effective upon this acceptance of this replacement security, Bond # [redacted] is hereby fully and unconditionally discharged and released and Travelers Casualty and Surety Company, and its parents, affiliates and subsidiaries are hereby released from any and all past, present and future liability under said bond."*

Regards,

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801

By: John R. Bagen

Date: 4/13/09



**From:** Angela Nance  
**To:** Penny Berry  
**Date:** 4/7/2009 12:00 PM  
**Subject:** Re: Lexon Insurance Company

There are good...licensed in Utah and have a rating of A-

>>> Penny Berry 4/7/2009 11:53 AM >>>  
Hi Angie,

Please can you check to see if this company is good. I have a surety bond, but I haven't heard of this company. Thanks.



mo210004



April 1, 2009

Mr. Tom Munson  
State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, UT 84114-5801

RE: Surety Bond for Escalante

Dear Mr. Munson:

As I believe you are aware, Hecla has transferred its performance bond with the State of Utah Department of Natural Resources to Lexon Insurance. Enclosed is Lexon's Bond #1033918 as a replacement surety for Travelers Bond #1

We also request that the appropriate authority at the State sign the enclosed release of collateral letter addressed to Travelers, and return the original along with the original Travelers Bond you have in your files to Hecla in the business-reply envelope provided for your convenience.

We appreciate your cooperation with this transition. If you have any questions or comments, please contact Mike Clary at 208.769.4146.

Sincerely,

A handwritten signature in blue ink that reads "Ann Robison".

Ann Robison  
Property and Contract Coordinator

Enclosures

RECEIVED

APR 06 2009

DIV. OF OIL, GAS & MINING







**\*\* CERTIFIED MAIL \*\***  
**RETURN RECEIPT REQUESTED**

February 22, 2007

Mr. John R. Baza, Director  
Division of Oil, Gas and Mining  
State of Utah, Department of Natural Resources  
P.O. Box 145801  
Salt Lake City, UT 84114-5801

RE: Escalante Silver Mine, M/021/004

Dear Mr. Baza:

As requested, enclosed is the original, signed acceptance letter in which Hecla acknowledges the reduction in surety for the subject-referenced property. If you have any questions or comments regarding this matter, please feel free to contact me at telephone number 208.769.4148, or by e-mail [arobison@hecla-mining.com](mailto:arobison@hecla-mining.com).

Sincerely,

A handwritten signature in cursive script that reads "Ann Robison".

Ann Robison  
Property and Contract Coordinator

Enclosure





## State of Utah

### Department of Natural Resources

MICHAEL R. STYLER  
*Executive Director*

### Division of Oil, Gas & Mining

JOHN R. BAZA  
*Division Director*

JON M. HUNTSMAN, JR.  
*Governor*

GARY R. HERBERT  
*Lieutenant Governor*

December 28, 2006

Mr. Paul L. Glader, Manager Environmental Services  
Hecla Mining Company  
6500 Mineral Drive, Suite 200  
Coeur D'alene, Idaho 83815-9408

Subject: Authorization of Partial Release of Reclamation Surety, Hecla Mining Company, Escalante Silver Mine, M/021/004, Iron County, Utah

Dear Mr. Glader:

The Division has received a request for partial reclamation surety release of approximately 61 acres within the permit area of Escalante Silver Mine site; file number M/021/004, located in Iron County, Utah. The Division Bond Release Findings identify specifically the areas of full release and the dollar amount associated with this reclamation surety release.

The retention of reclamation surety in the amount of \$42,756.00 is specifically for reclamation of the tailings pond access road, vegetation success on the reclaimed waste dump, weed control, and long term water monitoring. For these areas and activities, Operator reclamation liability and obligation continues according to the terms of the approved reclamation plan as amended.

A Corporate Surety in the amount of \$389,300.00 is secured and fulfills the reclamation obligation. The Division will accept a surety reduction of \$346,544.00, which may be issued in the form of a rider to existing surety bond number 81 S 100846282 BCA issued by Aetna Life & Casualty.

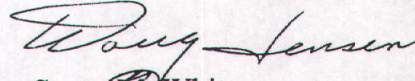
However, since a portion of this site is located on Bureau of Land Management (BLM), the partial release in the amount of \$346,544.00 is granted contingent on the written consent of this agency. To finalize the partial release of this site, the BLM must submit written consent to the Division. The Division is attempting to obtain this written consent, and asks that you initiate and assist in coordinating this effort as well.

Once BLM written consent has been submitted to the Division, along with a Corporate Surety rider reducing the surety amount, the Division will then amend the reclamation contract and prepare an addendum identifying the changes associated with this action.



If you have any questions or concerns regarding this surety reduction action, or any other specific questions, please contact Environmental Scientist, Mr. Doug Jensen (801) 538-5382 or Surety Coordinator, Ms. Beth Ericksen (801) 538-5318.

Sincerely,



for Susan M. White  
Minerals Program Coordinator  
Division of Oil, Gas and Mining

SMW:,be:pb

Enc: Division Bond Release Findings

cc: Beth Ericksen, DOGM

Doug Jensen, DOGM

Ed Ginouves, BLM, Cedar City, UT (Ed\_Ginouves@blm.gov)

Opie Abeyta, BLM (opie\_Abeyta@blm.gov)

SITLA, Salt Lake City, Utah

P:\GROUPS\MINERALS\WP\M021-Iron\M0210004-Hecla\Final\partialreleasebeforM21004.doc



## Bond Release Findings

Tom, Lynn  
agree? If so,  
lets do it.

Mine Name: Escalante Silver Mine  
Operator: Hecla Mining Company  
Paul Glader  
6500 Mineral Drive - Suite 200  
Coeur D'Alene, Idaho 83815-9408

I.D. No.: M/021/004  
Mineral Ownership: BLM/SITLA/Fee  
Surface Ownership: BLM/SITLA/Fee  
Permit Term: 1980

Disturbed Area: 68 Acres  
Regraded: 65 acres

Reseeded: 65 Acres  
Acres Bonded: 68 Acres  
Acres Proposed for Release: 61.4

### Surety

Amount: \$389,300 (\$346,544 to be released & \$42,756 retained)

Form: Surety

Renewable Term:

**COPY**

### Setting and Premining Environment

The Escalante Silver Mine is located 38 miles west of Cedar City, Utah, 3½ miles SW of Beryl Junction and 8 miles north of Enterprise, Utah. Prior to mining this area was used for occasional grazing, mining, exploration activities, and wildlife habitat. Post-mine land uses will include occasional grazing, light industrial, and exploration activities. The vein was discovered in the early 1900's and from that time to the 1960's attempts were made to bring the property into production. The mine is located in a sagebrush cover flat in the Escalante Valley. The only surface water in the area is strictly ephemeral in nature and is the result of precipitation events.

In 1998 Hecla made an application to change the post mine land use for the area around the processing facilities which encompassed 20.325 acres. The change was to change the land use of this 20.325 acres to light industrial. This area had been sold to Dixie Cable who planned to set up greenhouses at the site. This industrial use of the land was approved by the city of Enterprise and a permit was issued to Dixie Cable. The facilities left on the site include a mill building, assay office, compressor building, and an administration-maintenance-warehouse building. This post mine land use change would allow these facilities to remain as part of Dixie Cable's operation. The land sold to Dixie Cable had originally been sold to Hecla by SITLA. During the transfer of the deed to Dixie Cable it was found that the land exchange between SITLA and BLM had not resulted in clear title. It has taken until recent times for this oversight to be corrected. With that problem taken care of and the sale of the property completed, Hecla has now applied for a release of a portion of the bond that the Division presently holds on the site.

### Operations

Previous to Hecla, there had been several other operators at the site. All work at the site was completed as underground operations with only minor surface disturbances associated with this work. From the early 1900's until the late 1960's only sporadic attempts had been made to mine the area. In the mid 1960's approximately 20,000 tons were mined from the area. From that time until 1978 several mining companies only studied the property. In 1979, Ranchers Exploration initiated a test of a new mining method (vertical crater retreat) and implemented a pumping test in an attempt to dewater the mine. In anticipation of a successful pilot mining operation, detailed engineering on a mill and ancillary facilities was completed with a start-up of no later than the fall of 1981. Facilities at the site included a mill building, assay lab, shop/office, ancillary buildings, an adit and a 65 acre tailings pond. Prior to the initiation of pumping of the mine a 14 mile dewatering canal, (30' wide X 6' deep) which drained into Shoal Creek was constructed. Soil was harvested from areas to be disturbed at the site.



### **Hole Plugging**

All holes drilled at the site were plugged following Division rules.

**COPY**

### **Reclamation**

The final closure of the 65-acre tailings pond consisted of recontouring the area in a manner that it would not impound water. Any run-off water from the area of the tailings was directed to an impoundment run-off ditch. The existing underdrain system was left operable until the tailings are drained. Leachate from the underdrain was routed to the tanks at the mill where it was evaporated.

The tailings was capped with 6" of compacted clay, 14" of subsoil, 4" of soil, and seeded. A total area of 31 acres was disturbed to create borrow pits to supply the subsoil and clay for this closure effort. An estimate of 87,389 CY of capping material, 157,300 CY of subsoil, and 52,433 CY of soil was used to complete the closure.

Soil was stripped from the borrow areas before the subsoil and clay were removed. After the material needed to cap the tailings was removed, the soil was replaced and the areas seeded. Topsoil removed from the tailings area prior to the construction of the pond was placed over the capped tailings area.

Ground monitoring wells and the fence around the tailings area were allowed to remain until Division of Water Quality released the area.

### **Mine Engineering**

*x made correction in file*

All mine openings at the site have been sealed. There are no other structures or facilities remaining on site that would pose any threat to public safety. All hazardous and deleterious materials were removed from the site prior to the sale of the land and buildings.

No highwalls created during the operation of this mine. A 5 acre waste dump has been regraded to a 3:1 slope, soiled and seeded, this is the only dump created during the operation of this mine.

### **Hydrology**

Water from stormwater events are directed around the site and into the natural channel below. Storm events occurring in the basin above the tailings will be diverted via the existing basin interceptor channel and newly constructed impoundment runoff ditch constructed on both sides of the tailings. The runoff conveyances have been designed for the 100-yr 6-hr flood event.

The tailings impoundment will continue to have a water monitoring requirement until the year 2010.

There are no dams or impoundments remaining at the site.

There is no evidence of erosion on the site.

One mining related road, impacting an area of ~1.6 acres, will remain at the site until the water monitoring requirement for the tailings pond has been satisfied.

### **Revegetation**

Postmining land use of the mill building and maintenance shop will be light industrial. Hecla has sold the fee land including all the buildings to Dixie Cable. A copy of the deed transfer for this area was submitted to the Division and is attached to this document. The land use of the BLM portion of the site will be occasional grazing, mining, exploration activities, and wildlife habitat. The entire site with the exception of the buildings area has been seeded and vegetation at the site has met the Division standards (see attached inspection report). With the exception of the



 COPY


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#### **Recommendation**

The Division recommends the release of \$346,544 of the \$389,300 bond that the Division presently holds. The site has been reclaimed for more than 10 years, a total of \$563,200 was release in 1994 in conjunction with work completed prior to that date. The remaining amount (\$42,756) will be retained for the reclamation of the tailings pond access road, weed control, vegetation success on the reclaimed waste dump, and long term water monitoring.

  
\_\_\_\_\_  
Inspector

\_\_\_\_\_  
November 22, 2006  
Date



## Bond Release Findings

Mine Name: Escalante Silver Mine  
Operator: Hecla Mining Company  
Paul Glader  
6500 Mineral Drive – Suite 200  
Coeur D'Alene, Idaho 83815-9408

I.D. No.: M/021/004  
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---

Inspector

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November 22, 2006  
Date





JON M. HUNTSMAN, JR.  
Governor

GARY R. HERBERT  
Lieutenant Governor

**State of Utah**  
**DEPARTMENT OF NATURAL RESOURCES**  
**Division of Oil, Gas & Mining**

MICHAEL R. STYLER  
Executive Director

JOHN R. BAZA  
Division Director

**Addendum #1 to the Reclamation Contract**

**Hecla Mining Company, Escalante Silver Mine, M/021/004**

February 1, 2007

Mr. Paul Glader, Manager Environmental Services  
Hecla Mining Company  
6500 Mineral Drive, Suite 200  
Coeur D'alene, Idaho 83815-9408

The Division has accepted a surety reduction in the amount of \$346,544.00 due to a partial permit release. Retention of \$42,756.00 is due to specifically for reclamation of the tailings pond access road, vegetation success on the reclaimed waste dump, weed control, and long term water monitoring. For these areas and activities, Operator reclamation liability and obligation continues according to the terms of the approved reclamation plan as amended.

This letter serves as an acknowledgment and approval of the following:

- **SURETY and SURETY COMPANY:** Surety: Travelers Casualty and Surety Company of America;
- **SURETY AMOUNT AND BOND NUMBER:** \$42,756.00, forty two thousand seven hundred and fifty six dollars;
- **DISTURBED AREA:** Any revisions after September 30, 1994 are identified in the Notice of Intention to Conduct Mining Operations as amended;
- **MAP:** Any revisions after September 30, 1994 are identified in the Notice of Intention to Conduct Mining Operations as amended;
- **ESCALATION YEAR:** 2010

Nothing herein contained shall vary, alter, or extend any provision or condition of the Reclamation Contract.

To the extent any conflict exists between this addendum and the Reclamation Contract, these terms shall control.

Please acknowledge with your signature, make a copy, and return this letter with original signature to the Division.





Hecla

RECEIVED

FEB 01 2007

DIV. OF OIL, GAS & MINING

January 24, 2007

Ms. Susan M. White  
Minerals Program Coordinator  
State of Utah Division of Oil, Gas and Minerals  
1594 West North Temple, Suite 1210  
Salt Lake City, UT 84720

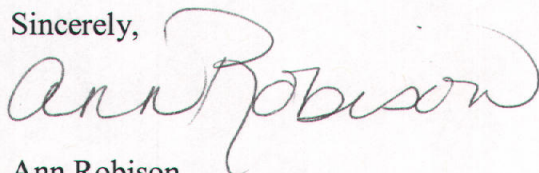
RE: Surety Rider for Escalante Silver Mine M/021/004, Iron County, UT,  
Reclamation Bond

Dear Ms. White:

Enclosed is the surety rider for the subject-referenced bond in which the bond amount has been decreased from \$389,300.00 to \$42,756.00. The rider should be filed with the original bond.

Thank you for your assistance with this matter. If you have any questions or comments, please contact me at 208.769.4148.

Sincerely,



Ann Robison  
Property and Contract Coordinator

Enclosure

c: P. Glader





## United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

**Cedar City Field Office**  
176 East DL Sargent Drive  
Cedar City, UT 84720  
Telephone (435) 586-2401  
[www.ut.blm.gov/cedar\\_city/](http://www.ut.blm.gov/cedar_city/)



**In Reply Refer To:**  
UT-042  
3809: UTU-67116

January 8, 2007

Ms. Susan M. White  
Minerals Program Coordinator  
Division of Oil, Gas and Minerals  
1594 West North Temple, Suite 1210  
Salt Lake City, UT 84720

Dear Ms. White:

This letter responds to Division letter to Hecla Mining Company, dated December 28, 2006, authorizing partial release of the reclamation surety for Hecla's Escalante Silver Mine, located in Iron County, Utah. The permit area for the Escalante Silver Mine encompasses private land and BLM-managed land administered by the BLM Cedar City Field Office. The mine was permitted as a large mine under DOGM rules, file number M/021/054, and as a plan of operations under BLM regulations, file number UTU-67116.

As you may be aware, BLM's principal remaining concern for the BLM lands impacted by this project is the successful eradication of all knapweed, a noxious invasive weed, that has become established on portions of the tailings impoundment area. Until eradication can be accomplished through ongoing operator efforts or until a trust fund is established between the company and BLM to allow BLM to carry out the eradication, BLM will continue to request that adequate bond monies be retained to fund this eradication effort.

As the bond monies proposed for release are connected entirely with disturbances or liabilities located on privately-held lands, we consent to their release. We consider the remaining bond amount, \$42,756.00, adequate to secure the remaining site reclamation liabilities, some of which are located on BLM-managed land, including the knapweed eradication.

If you have any questions, feel free to contact Ed Ginouves of my staff at 435-865-3040.

Sincerely,

Todd S. Christensen  
Field Office Manager

cc: Mr. Paul Glader, Manager Environmental Services, Hecla Mining Company



## Bond Release Findings

Tom, Lynn  
agree? If so,  
lets do it.

Mine Name: Escalante Silver Mine  
Operator: Hecla Mining Company  
Paul Glader  
6500 Mineral Drive - Suite 200  
Coeur D'Alene, Idaho 83815-9408

I.D. No.: M/021/004  
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### Surety

Amount: \$389,300 (\$346,544 to be released & \$42,756 retained)  
Form: Surety  
Renewable Term: \_\_\_\_\_

### Setting and Premining Environment

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\_\_\_\_\_  
Inspector

November 22, 2006  
\_\_\_\_\_  
Date





State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

James W. Carter  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

September 7, 1994

TO: Board of Oil, Gas and Mining

THRU: James W. Carter, Director *JWC*

THRU: Lowell P. Braxton, Associate Director - Mining *LPB*

FROM: D. Wayne Hedberg, Permit Supervisor - Minerals Program *DWH*

RE: Request for Board Approval, Amount and Form of Replacement Reclamation Surety, Hecla Mining Company, Escalante Silver Mine, M/021/004, Iron County, Utah

In April of this year, the Division initially assembled a Board briefing package for Hecla Mining Company's (HMC) Escalante Mine which was intended to be presented to the Board during its April 27th executive session. As you may recall, this package was withdrawn from the briefing agenda due to unforeseen circumstances that were brought to the Division's attention regarding a previous permitting/bonding-related oversight. Supplemental information has been provided by HMC which has allowed the Division to complete its reclamation plan assessment for the remaining mine facilities and calculate an appropriately revised surety.

The mining reserves were exhausted by 1988 and HMC began initial reclamation of the underground mine and some of the ancillary surface facilities in the spring of 1989. The Division asked HMC to provide more detailed plans for reclamation of the tailings impoundment. HMC provided a revised reclamation plan for the impoundment which went through a series of revisions and was finally approved by the Division on March 14, 1994. Approval of the revised tailings impoundment reclamation plan effectively increased the original reclamation surety (\$181,500) to \$771,000 in 1999 dollars. Hecla provided the Division with a revised surety (\$771,000) and a new Reclamation Contract form in March of this year. The Division suspended bringing this surety before the Board in April when it discovered an unfulfilled permitting commitment from HMC to provide more detailed reclamation plans for the millsite. Hecla has since provided the required information.

Reclamation of the tailings impoundment began in late March 1994 according to the approved reclamation plan. On May 6, 1994, the Board and Division visited the Escalante Mine to observe the ongoing tailings impoundment reclamation. On July 20, 1994, Division and BLM staff jointly inspected the site to evaluate the status and adequacy of the completed reclamation work. The reclamation was determined satisfactory. Reclamation of the @60 acre tailings impoundment is now essentially complete. Temporary fencing of the reclaimed areas is currently being performed and seeding will be conducted this fall.





Page 2  
Request for Board Approval  
M/021/004  
September 7, 1994

The Division has revised the reclamation surety estimate to acknowledge the performance of impoundment reclamation work and to include updated information regarding estimated costs for demolition and reclamation of the remaining mill site facilities. The new surety estimate totals \$389,300 in 1999 dollars. Because this change in surety amount was considered a minor change to the bonding forms filed previously in March/94, we have not requested that new forms be completed by HMC or their surety. Hecla's surety company has provided us with a "rider" to the original \$771,000 surety bond, effectively reducing it to \$389,300. A copy of the surety bond "rider" is attached for your review. The Division is now requesting formal Board approval of the amount and form of replacement reclamation surety provided by HMC for completing the remaining reclamation of the Escalante Silver Mine.

Attached for your review are copies of the following documents:

1. Summary checklist
2. Location map
3. Revised reclamation surety estimate
4. Reclamation Contract (FORM MR-RC)-*[with revised \$ amount, page 2 of 9]*
5. Surety bond with "Rider" (Attachment B, MR FORM 6)

Thank you for your time and consideration of this request.

jb  
Attachments  
M021004.brd



# DOGM MINERALS PROGRAM

## Checklist for Board Approval of FORM AND AMOUNT OF SURETY

Prepared September 7, 1994

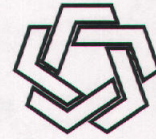
Company Name Hecla Mining Company  
Mine Name Escalante Silver Mine  
File No. M/021/004

Items	Provided		Remarks
	Yes	No	
Revised Executive Summary		X	Mine closed, under reclamation. Executive Summary no longer applicable. Cover memo outlines basis for change in amount and form of surety and changes/additions to original approved reclamation plan.
Location Map	X		
Reclamation Bond Estimate	X		Revised to include supplemental reclamation costs for millsite and to recognize performance of tailings impoundment reclamation. Surety bond amount is \$389,300 in 1999 dollars .
Signed Reclamation Contract	X		Page 2 of 9 revised to reflect change in surety amount from \$771,000 to \$389,300.
Signed Power of Attorney/ Affidavit of Qualification	X		
Bond/Reclamation Surety	X		Corporate Surety Bond - Aetna Casualty & Surety Company. Acceptable surety under the 1993, U.S. Department of the Treasury - Directory of Companies Holding Certificates of Authority on Federal Bonds and as Acceptable Reinsuring companies. Surety "rider" provided reducing reclamation liability to \$389,300.
Surety Sign Off (Other State/Federal Agencies)	X		Bond jointly held by DOGM and BLM.
RDCC contacted		X	Not Applicable

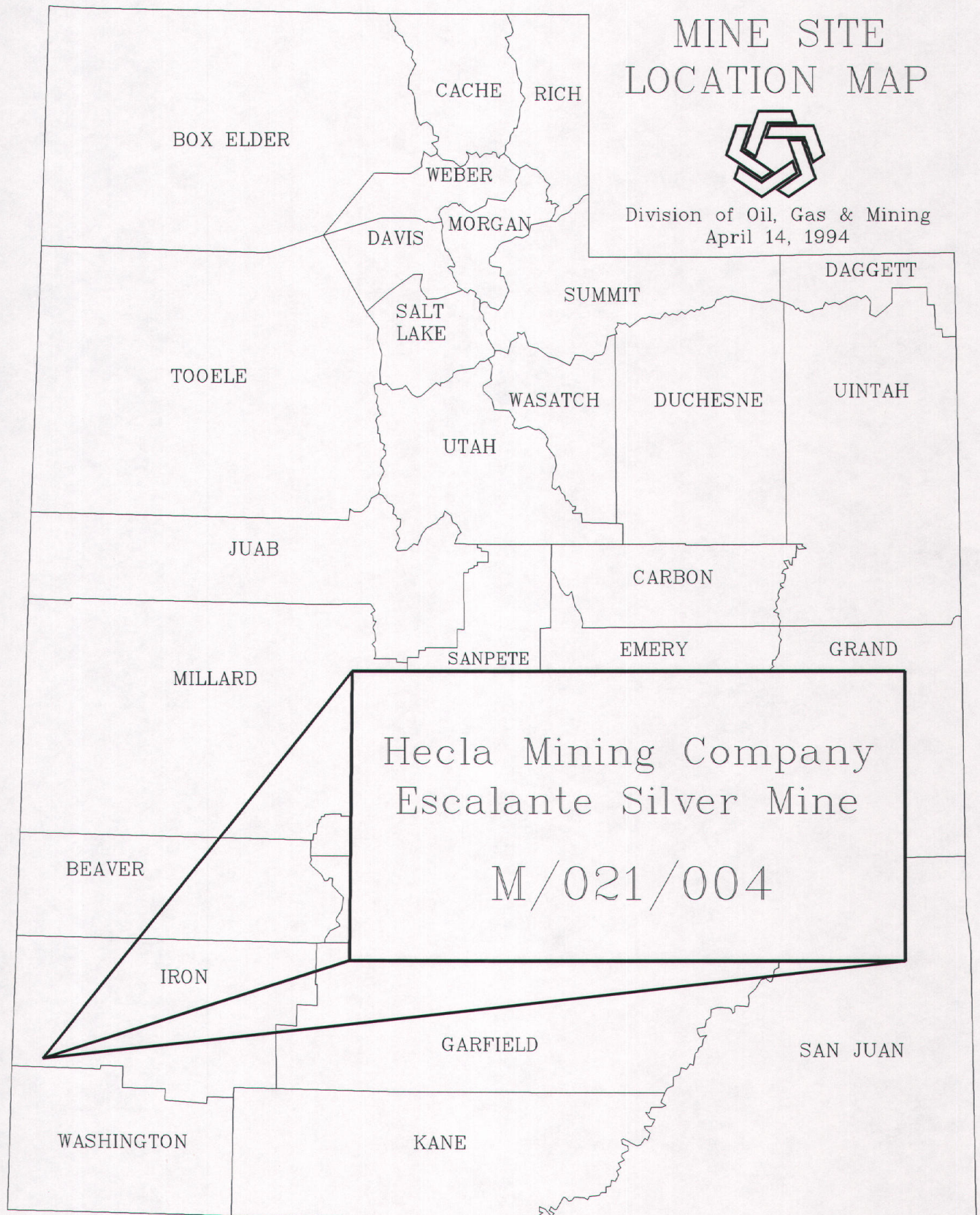
C:Checklist



# MINE SITE LOCATION MAP



Division of Oil, Gas & Mining  
April 14, 1994



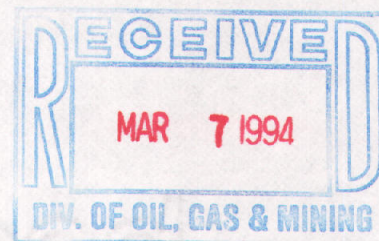




M/021/004

March 3, 1994

D. Wayne Hedberg  
Department of Natural Resources  
Division of Oil, Gas, and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203



**Re: Reclamation Contract, Escalante Silver Mine, M/021/004, Iron County, Utah**

Dear Mr. Hedberg:

I am enclosing the Reclamation Contract covering the tailings pond reclamation work at the Escalante Unit. As the documents show, we now have a bond in place for \$771,000. When this bond is approved by the board, we would request that the two certificates of deposit (\_\_\_\_\_ and \_\_\_\_\_) provided for temporary surety be returned.

I will be at the Escalante Unit starting March 7. If you have any questions I can be reached at (801) 439-5555.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Alan Wilson".

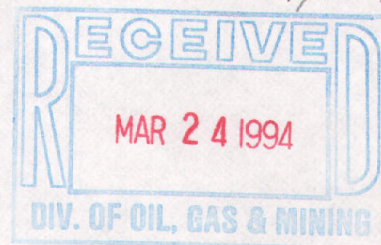
Alan Wilson  
Senior Reclamation Engineer

cc: G. Wilhelm w/o enclosures  
D. Wolfe w/o enclosures





DOGMI  
MINERALS PROGRAM  
FILE COPY



March 22, 1994

D. Wayne Hedberg  
Department of Natural Resources  
Division of Oil, Gas, and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

**RE: Reclamation Contract for Escalante Silver Mine, M/021/004**

Dear Mr. Hedberg:

I am enclosing the signed reclamation contract for the Escalante Silver Mine. The legal description and necessary signatures are included this time. I apologize for the oversight on the previous submittal. Also enclosed is a copy of all the data we have on the tailings underdrain.

Give me a call if you have any questions.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Alan Wilson".

Alan Wilson  
Senior Reclamation Engineer



May 24-1, 2006

Bond Number                       
 Surety NAIC No. 13307  
 Permit Number                       
 Mine Name Escalante Silver Mine

**ATTACHMENT A**  
**To**  
**RECLAMATION CONTRACT**  
**BETWEEN PRINCIPAL AND DIVISION**

**STATE OF UTAH**  
 DEPARTMENT OF NATURAL RESOURCES  
**Division of Oil, Gas and Mining**  
 1594 West North Temple Suite 1210  
 Box 145801  
 Salt Lake City, Utah 84114-5801  
 Telephone: (801) 538-5291  
 Fax: (801) 359-3940

**THE UTAH MINED LAND RECLAMATION ACT**

**SURETY BOND**

\*\*\*\*\*

The undersigned Hecla Mining Company, as Principal,  
 a Corporation organized under the laws of the State of Delaware and  
Lexon Insurance Company, as Surety,  
 a Corporation organized under the laws of the State of Texas,  
 hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns,  
 jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining ("Division")  
 and U. S. Department of the Interior, BLM  
 (other agency, if any) in the penal sum of Forty-Two Thousand Seven Hundred Fifty-Six and 00/100  
 dollars (\$ 42,756.00 ).

This Surety Bond is provided to secure the obligations of the Principal, as set forth by the terms and conditions of the Reclamation Contract, and any addendums thereto, to reclaim lands that will be affected by mining operations as identified in the Notice of Intention received, or approved if applicable, by the Division on the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

The lands that are covered by this Surety Bond are the Lands Affected by mining operations as defined and described in the above Notice, and the Mining and Reclamation Plan if required, subject to terms and conditions of the Reclamation Contract.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the Mining and Reclamation Plan or Notice and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules



and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect. Failure of the Principal to fulfill the obligations specified by the Mined Land Reclamation Act and the Rules adopted there under, and in accordance with the specification of the Principal's Mining and Reclamation Plan or Notice, may result in forfeiture of this bond in accordance with the applicable statutes and regulations.

If the Mining and Reclamation Plan or Notice provides for periodic partial reclamation of the lands affected, and if the lands are reclaimed in accordance with such Plan or Notice, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond. In the converse, if the Mining and Reclamation Plan or Notice provides for a gradual increase in the lands affected or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety. The amount of reclamation surety may also be adjusted as a result of a periodic review by the Division, which shall take into account inflation/deflation based upon an acceptable Costs Index, or at the request of the operator.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Written notice to the Division and Principal as required by this paragraph shall be provided by certified mail or by a courier service that provides proof of delivery by signature of the recipient. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

Surety is licensed to do business in Utah and is rated by A. M. Best as A- or better or rated as having Financial Performance Rating (FPR) of 8 or better, and is listed in the U. S. Department of Treasury's Circular "570." Upon incapacity of the Surety by reason of bankruptcy, insolvency, or suspension or revocation of its license, or upon failure to maintain the A. M. Best or FPR rating and listing on Circular "570", Principal shall be without adequate bond coverage as required by the Division and shall have 120 days after notice to replace the bond with other bonds acceptable to the Division. If the Principal does not replace this surety bond as required, the Division may order cessation of mining operations and commence actions to enforce its rights against the Surety. The Surety's liability shall continue and the Surety will remain fully liable for all reclamation obligations of the Principal incurred until this surety bond is forfeited, or the conditions of this obligation have been satisfied.



Page 3  
MR-5  
Attachment A  
(revised May 24, 2006)

Bond Number \_\_\_\_\_  
Surety NAIC No. 13307  
Permit Number \_\_\_\_\_  
Mine Name Escalante Silver Mine

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Hecla Mining Company  
Principal (Permittee)

James A. Sabala, Sr. Vice President + CFO  
By (Name and Title typed):

*James A. Sabala*  
Signature

April 1, 2009  
Date



**Surety Company**

Lexon Insurance Company

10002 Shelbyville Rd., Suite 100

Surety Company Name

Street Address

Jackie C. Koestel  
Surety Company Officer

Louisville, KY 40223  
City, State, Zip

Attorney-in-Fact  
Title/Position

502-636-9191  
Phone Number

*Jackie C. Koestel*  
Signature

March 26, 2009  
Date



Page 4  
MR-5  
Attachment A  
(revised May 24, 2006)

Bond Number \_\_\_\_\_  
Surety NAIC No. 13307  
Permit Number \_\_\_\_\_  
Mine Name Escalante Silver Mine

SO AGREED this 13<sup>th</sup> day of April, 20 09.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

  
\_\_\_\_\_  
John R. Baza, Director  
Utah State Division of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.



On the 26th day of March, 2009, Jackie C. Koestel  
           personally appeared before me, who being by me duly sworn did say that he/she, the said  
Jackie C. Koestel is the Attorney-in-Fact of  
Lexon Insurance Company and duly acknowledged that said instrument was signed on  
behalf of said company by authority of its bylaws or a resolution of its board of directors and said  
Jackie C. Koestel duly acknowledged to me that said company executed the same,  
and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is  
authorized to execute the same and has complied in all respects with the laws of Utah in reference to  
becoming sole surety upon bonds, undertaking and obligations.

Title: Attorney-in-Fact

STATE OF Kentucky )  
 ) ss:  
COUNTY OF Jefferson )

*Virginia Woodruff*  
Notary Public  
Residing at: Louisville, KY

May 27, 20 09



## POWER OF ATTORNEY

LX - 54130

**Lexon Insurance Company**

KNOW ALL MEN BY THESE PRESENTS, that **LEXON INSURANCE COMPANY**, a Texas Corporation, with its principal office in Louisville, Kentucky, does hereby constitute and appoint:

Brook T. Smith, Kathy Hobbs, Raymond M. Hundley, Jason D. Cromwell, James H. Martin, \*\*\*\*

Sandra F. Harper, Myrtie F. Henry, Julie Radican, Virginia E. Woolridge, Deborah Neichter, Jill Kemp, Jackie C. Koestel, Sheryon Quinn \*\*

its true and lawful Attorney(s)-In-Fact to make, execute, seal and deliver for, and on its behalf as surety, any and all bonds, undertakings or other writings obligatory in nature of a bond.

This authority is made under and by the authority of a resolution which was passed by the Board of Directors of **LEXON INSURANCE COMPANY** on the 1st day of July, 2003 as follows:

Resolved, that the President of the Company is hereby authorized to appoint and empower any representative of the Company or other person or persons as Attorney-In-Fact to execute on behalf of the Company any bonds, undertakings, policies, contracts of indemnity or other writings obligatory in nature of a bond not to exceed \$2,500,000.00, Two-million five hundred thousand dollars, which the Company might execute through its duly elected officers, and affix the seal of the Company thereto. Any said execution of such documents by an Attorney-In-Fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company. Any Attorney-In-Fact, so appointed, may be removed for good cause and the authority so granted may be revoked as specified in the Power of Attorney.

Resolved, that the signature of the President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Vice President, and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certificate so executed and sealed shall, with respect to any bond of undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS THEREOF, **LEXON INSURANCE COMPANY** has caused this instrument to be signed by its President, and its Corporate Seal to be affixed this 2nd day of July, 2003.

**LEXON INSURANCE COMPANY**

BY

David E. Campbell  
President

**ACKNOWLEDGEMENT**

On this 2nd day of July, 2003, before me, personally came David E. Campbell to me known, who being duly sworn, did depose and say that he is the President of **LEXON INSURANCE COMPANY**, the corporation described in and which executed the above instrument; that he executed said instrument on behalf of the corporation by authority of his office under the By-laws of said corporation.

"OFFICIAL SEAL"  
MAUREEN K. AYE  
Notary Public, State of Illinois  
My Commission Expires 09/21/09

Maureen K. Aye  
Notary Public

**CERTIFICATE**

I, the undersigned, Secretary of **LEXON INSURANCE COMPANY**, A Texas Insurance Company, DO HEREBY CERTIFY that the original Power of Attorney of which the foregoing is a true and correct copy, is in full force and effect and has not been revoked and the resolutions as set forth are now in force.

Signed and Sealed at Lombard, Illinois this 26th Day of March, 2009.



Donald D. Buchanan  
Secretary

"WARNING: Any person who knowingly and with intent to defraud any insurance company or other person, files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties."



# RECLAMATION ESTIMATE-REDUCTION FOR WORK NOW COMPLETED

Hecla Mining Company

ALSO SEE NOTEBOOKS A, C & D

Escalante Silver Mine - Mill Tailings Facility

M/021/004 Iron County, Utah

last revision 08/17/94

filename M21-04R2.WQ1

Prepared by Utah State Division of Oil, Gas & Mining

NOTEBOOK 'B'

Reclamation Details & Comments regarding work completed

- Estimate for reclamation of facilities areas has been revised on Notebook 'C'
- Revised tailings cover: 10" capillary, 18" subsoil, 6" topsoil (65 acres)---COMPLETED
- Manure incorporated into tailings subsoil & topsoil caps (2-3,000 lb/acre)---COMPLETED
- Road to tailings reduced via ripping & seeding(5,800' x 12' = 1.6 acre)
- Impoundment runoff ditch constructed around tailings cap (7,200')---COMPLETED
- Subsoil borrow areas regraded & ripped (HECLA ESTIMATE 31 acres)---COMPLETED
- Surface layer of tailings to be compacted (ASSUME with a dozer)---COMPLETED
- Rip topsoil stockpile area & drill seed (9 acre ESTIMATE)---RIPPING COMPLETED?
- Monitor groundwater wells for 4 years after reclamation (quarterly)
- Fence maintenance 3 years (7,900 + ~ 10,000 LF, quarterly)
- Areas revegetated via drill seeding unless impractical (= > hand seeding)
- Disturbed acreage = office + tailings + borrow + roads + stockpile = 108

Description	Amount	\$/Unit	Cost-\$	
Facilities demolition/removal	DOGM EST.	0	267,071	NOTEBOOK 'C'
Tailings surface compaction(0.6 MPHF)	65 acre	407	0	COMPLETED
Waste rock capillary barrier 10"	87,389 CY	2.46	0	COMPLETED
Tailings subsoil cap 18"	157,300 CY	1.51	0	COMPLETED
Tailings topsoil cap 6"	52,433 CY	1.55	0	COMPLETED
Disc manure into tailings soils	65 acre	250	0	COMPLETED
Ripping tailings road (0.40 mph)	1.6 acre	603	965	
Runoff ditch construction	7,200 ft	0.32	0	COMPLETED
Ripping borrow areas (0.60 mph)	31 acre	407	0	COMPLETED
Rip topsoil stockpile area	9.0 acre	407	0	COMPLETED?
Reseed all disturbed areas	108 acre	290	31,320	
Monitor groundwater (quarterly)	4 yr	1,200	4,800	
Fencing-borrow areas(LF estimated)	10,000 LF	1.00	10,000	
Mobilization	5 units	1,000	5,000	
Fence maintenance (quarterly)	3 yr	400	1,200	
SUBTOTAL			320,356	
+ 10% CONTINGENCY			32,036	
SUBTOTAL			352,391	
+5yr ESCAL (2.01%)			36,868	
UPDATED TOTAL			389,259	
ROUNDED TOTAL 1999-\$			<b>\$389,300</b>	

AMOUNT OF SURETY BOND	\$771,000
AMOUNT OF CURRENT FORMS OF SURETY (2 CDs)	\$181,500
TOTAL AMOUNT OF SURETY CURRENTLY POSTED	\$952,500
LESS REVISED RECLAMATION ESTIMATE	\$389,300
BONDING "SURPLUS" =	\$563,200



ALSO SEE NOTEBOOKS A, B & D

ALSO SEE NOTEBOOKS A, B & D

last revision 08/17/94

filename M21-04R2.WQ2

NOTEBOOK "C"



tures/facilities

equipment

7/7/94

brackets [dimension]

1

## Information

H	UNITS
---	-------

STRUCTURE	TYPE	L	W	H	UNITS	\$/UNIT	\$	Reference
mill building & equip	steel frame	200	55	45	495,000	0.29	143,550	means 1994 020-604-0500
bullion room & equip	steel frame	70	60	25	105,000	0.22	23,100	means 1994 020-604-0500
crushing plant	steel & r-concre	60	30	50	90,000	0.29	26,100	means 1994 020-604-0500
assay lab	steel frame	45	25	15	16,875	0.22	3,713	means 1994 020-604-0500
lab waste dilution tank	?	5	dia		0	0	0	REMOVED
core shed near shaft--[H]	steel frame	60	25	15	22,500	0.22	4,950	means 1994 020-604-0500
hoist house--[H]	steel frame	30	15	15	6,750	0.22	1,485	means 1994 020-604-0500
dry & warehouse--[H]	steel frame	50	25	15	18,750	0.22	4,125	means 1994 020-604-0500
office near shaft--[H]	steel frame	28	10	12	3,360	0.22	739	means 1994 020-604-0500
lab near shaft--[H]	steel frame	20	20	15	6,000	0.22	1,320	means 1994 020-604-0500
leach tanks (pachucas)	steel	130	50	25	162,500	0.22	35,750	means 1994 020-604-0500
thickener tank--[H]	steel	50	dia	25	49,098	0.22	10,799	means 1994 020-604-0500
conveyor from crusher		300		EST	300	1.5	450	DOGM est
conveyor from stockpile		160		EST	160	1.5	240	DOGM est
water storage tank		20	dia	EST	0	0	0	Post-Mine Use
3 unknown tanks		20	dia eac	EST	3	500	1,500	DOGM est
1500 KVA substation(concentrator)				EST	0	0	1,000	DOGM est
2X5 MVA substation(main power feed)				EST	0	0	1,000	DOGM est
core stockpile & subsoil pile				EST	0	0	1,000	DOGM est
shaft headframe		22	10		0	0	0	Post-Mine Use
shaft substation				EST	0	0	1,000	Post-Mine Use
submersible pump & control panel				EST	1	250	250	DOGM est
asbestos inspection				HECLA ESTIMATE			5,000	
				TOTAL =			\$267,071	